# Tax Tutorial

In this tax tutorial, you will learn about refunds, amounts due, and record keeping.

Taxpayers receive refunds when their total tax payments are greater than the total tax

• Refunds can be received by check in the mail or by direct deposit.

Taxpayers must pay an amount due when the total tax is greater than their total tax payments.

• Payments can be made by check, money order, credit card, or direct debit (electronic filers only).

It is important for taxpayers to keep good records in order to prepare their tax returns and support items on their tax returns.

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Previous Tax Tutorials Covered:	
Income	wages, salaries, tips, interest
Standard Deduction	based on filing status
Exemptions	personal and dependency
Credits	child and dependent care expenses, Earned Income Credit
Federal Income Tax Withholding	based on Form W-4

This information is

- reported on the individual income tax return.
- used to determine the tax.
- used to determine the refund or amount due.

The government pays a taxpayer a refund when the taxpayer's total tax payments are greater than the total tax.

• Taxpayers receive refunds from the government.

Taxpayers must pay an amount due when the total tax is greater than their total tax payments.

• Taxpayers pay the amount due to the government.

Total tax payments include

- federal income tax withheld.
- earned income credit

In addition, if filing Form 1040,

• estimated tax payments, if any.

• additional child tax credit, if any.

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#### Refunds

When total tax payments are greater than the total tax, the taxpayer can

- receive the refund by direct deposit to an account at a financial institution.
- receive the refund by check in the mail.
- apply the refund to the estimated tax for the following year.

Direct Deposit Benefits	
Speed	receive the refund fast
Security	no check to get lost
Convenience	no need to go to the financial institution to deposit a check
Cost	less than issuing a check

Angela had \$2000 of gross wages, with \$124 Federal income tax withheld, \$29 medicare tax withheld, and \$124 Social Security Tax withheld resulting in a net amount after taxes of \$1723. Her employer also withheld \$50 which went into her retirement fund account. Making her take home \$1673.

When she files her return she reports \$2000 in wages and \$124 Federal income tax withheld on her return. Since the tax is "0" and she does not qualify for the Earned Income Credit, she will receive a refund of \$124.

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### **Direct Deposit Guidelines**

Ensure that the routing number has nine digits.

When in doubt, check with the financial institution for the routing number.

Ensure that the account number is correct.

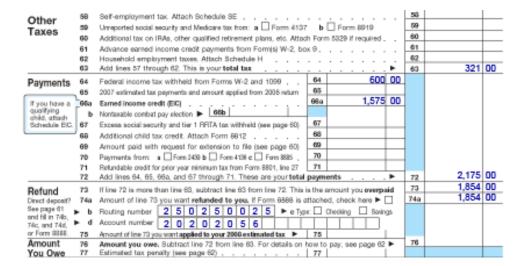


#### **Direct Deposit Guidelines**

Review the payments and refund sections of the tax return for Paul and Su-Mai Wong.

- Their total tax is \$321.
- The federal income tax withheld during the year was \$600.
- The earned income credit was \$1,575.
- Total payments were \$2,175.
- The refund is \$1,854—part of the withheld tax plus all of the earned income credit.

The refund will be deposited directly into the Wong checking account.



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#### **Amount Due**

When the total tax is greater than the total tax payments, the taxpayer can:

Pay by check or money order payable to the United States Treasury

- include name, address, Social Security number, tax form, tax year
- submit payment with Form 1040-V

Pay by credit card

- contact service provider via telephone or Internet
- pay convenience fee

Pay by direct debit from an account at a financial institution

• (only available for returns that are electronically filed)

Taxpayers who cannot make payment in full need to contact the IRS to discuss payment options.

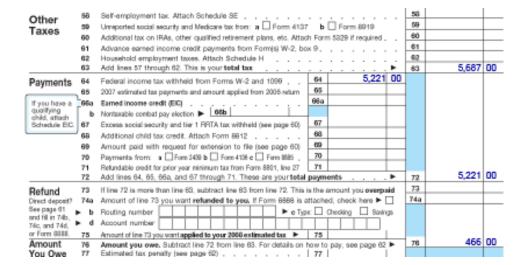
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Review the tax return for Rafael and Tina Palma.

- Their total tax is \$5,687.
- The federal income tax withheld during the year was \$5,221.
- The amount due is \$466.

The Palmas will file their return electronically and pay the amount due by direct debit from their savings account.



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# Quick Check!

Answer the following multiple-choice questions about refunds, amounts due, and record keeping by clicking on the correct answers. To assess your answers, click the *Check My Answers* button at the bottom of the page.

- 1) Only taxpayers who file electronically can pay an amount due by:
  - A. check. No answer given: the correct answer is D. All taxpayers can pay an amount due by check, credit card, or money order.
  - B. credit card.
  - C. money order.
  - D. Electronic funds withdrawl (direct debit).
- 2) Which is **not** a benefit of a direct deposit of a refund?
  - A. There is a convenience fee for having a refund deposited directly into an account at a financial institution. No answer given: the correct answer is A. Refunds made by direct deposit are received faster than refunds by mail. They are also more convenient, save taxpayer time by eliminating trips to financial institutions, and cost less than issuing checks.
  - B. Refunds that are directly deposited to an account in a financial institution are received faster than by mail.
  - C. Refunds that are directly deposited to an account in a financial institution save taxpayer time by eliminating trips to financial institutions.
  - D. Refunds made by direct deposit cost less than issuing checks.

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## **Record Keeping**

It is important that taxpayers keep good records to

- identify sources of income.
- track expenses.
- prepare tax returns quickly and accurately.
- support items on the tax return.

Typical records include:

- checkbooks, check registers, monthly statements, and Forms 1099-INT
- · receipts, invoices, and sales slips
- pay stubs and Form W-2

Some taxpayers use computerized systems to track income and expenses.

• These taxpayers also need to keep original documents, such as sales slips and receipts.

Taxpayers should print and keep copies of the tax returns they send to the IRS.

Taxpayers need to keep tax-related documents for at least three years from the date the return was filed.



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# **Lesson Summary**

Taxpayers receive refunds when their total tax payments are greater than the total tax.

• Refunds can be in the form of a check or direct deposit.

Taxpayers must pay an amount due when the total tax is greater than their total tax payments.

• Payments can be made by check, money order, credit card, or direct debit (electronic filers only).

It is important for taxpayers to keep good records in order to prepare their tax returns and support items on their tax returns.



# Module 12 - Glossary

# **Glossary**

**amount due** —money that taxpayers must pay to the government when the total tax is greater than their total tax payments.

**refund** —money owed to taxpayers when their total tax payments are greater than the total tax. Refunds are received from the government.

